

COGGON MUNICIPAL LIGHT PLANT  
FINANCIAL REPORT – MODIFIED CASH BASIS

June 30, 2005

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## INDEPENDENT ACCOUNTANT'S REPORT

To the Board of Trustees  
Coggon Municipal Light Plant  
Coggon, Iowa

We have audited the accompanying statement of financial position – modified cash basis of Coggon Municipal Light Plant as of June 30, 2005 and the related statement of activities – modified cash basis for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the modified cash basis, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the financial position and activities of Coggon Municipal Light Plant for the year ended June 30, 2005, on the basis of accounting described in Note 1. The supplementary information has been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

*Koppenhaver & Associates, PC*

Mount Vernon, Iowa  
September 8, 2005

**COGGON MUNICIPAL LIGHT PLANT**  
Statement of Financial Position – Modified Cash Basis  
June 30, 2005

**ASSETS**

Cash and savings		\$	23,177
Certificates of deposit			66,048
Prepaid supplies			92,604
Property and equipment:			
Land	\$	45,500	
Plant buildings		125,076	
Plant equipment		779,914	
Distribution lines and equipment		801,639	
Tools		30,336	
Vehicles		68,467	
Office equipment		<u>5,286</u>	
		\$ 1,856,218	
Less accumulated depreciation		<u>788,064</u>	
			<u>1,068,154</u>
			<u>\$ 1,249,983</u>

**LIABILITIES**

Savings withheld	\$	150
Payroll withholdings payable		4,043
Bonds payable		<u>720,000</u>
	\$	<u>724,193</u>

**NET ASSETS**

525,790  
\$ 1,249,983

See accompanying Notes to Financial Statements.

COGGON MUNICIPAL LIGHT PLANT  
Statement of Activities – Modified Cash Basis  
Year Ended June 30, 2005

REVENUES

Sale of electricity	\$ 336,682
Interest	1,456
Miscellaneous	<u>8,740</u>
	<u>\$ 346,878</u>

EXPENSES

Purchase of electricity	\$ 109,723
Plant expense	135,668
Distribution expense	47,596
Administrative expense	<u>91,272</u>
	<u>\$ 384,259</u>

(DECREASE) IN NET ASSETS \$ (37,381)

NET ASSETS AT BEGINNING OF YEAR 563,171

NET ASSETS AT END OF YEAR \$ 525,790

See accompanying Notes to Financial Statements.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Nature of Activities and Significant Accounting Policies

#### Nature of Activities

Coggon Municipal Light Plant provides electrical service to residents and businesses in Coggon, Iowa. A three-member board of trustees governs the organization. Rates charged customers are regulated by the State of Iowa.

#### Basis of Accounting

The accompanying financial statements have been prepared on the modified cash receipts and disbursements basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The modified cash basis differs from generally accepted accounting principles in that electricity sales are recognized when received instead of when service is provided and expenses are recognized when paid instead of when goods and services are received. Modifications to the cash method include the recognition of prepaid supplies, capitalization and depreciation of property and equipment, and recognition of bonds payable.

#### Use of Estimates

The preparation of financial statements in conformity with the modified cash basis of accounting requires the use of estimates and assumptions, primarily in the useful lives assigned to property and equipment that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

#### Property and Equipment

Property and equipment with a useful life in excess of one year are capitalized at cost. Repairs and maintenance are expensed. Straight-line depreciation is recognized over the estimated useful lives as follows:

Plant buildings	40 years
Plant equipment	20 years
Distribution lines and equipment	30 years
Tools	10 years
Vehicles	6 years
Office equipment	10 years

Total depreciation expense for the year ended June 30, 2005 was \$63,408.

## NOTES TO FINANCIAL STATEMENTS

### Note 2. Contingent Liabilities

At June 30, 2005, the Coggon Municipal Light Plant held refundable customer deposits totaling \$7,325. The deposits have been recorded as miscellaneous income.

### Note 3. Retirement System

Employees are covered under the Iowa Public Employees Retirement System (IPERS). Contributions are 3.70% of compensation by the employee and 5.75% by the employer. The plan is administered by the State of Iowa and Coggon Municipal Light Plant's responsibility is limited to payment of the contributions required under rates set by the State of Iowa. The employer's contribution paid during the year ended June 30, 2005, was \$4,221.

According to IPERS, the net assets available for benefits exceed the pension benefit obligation for IPERS as a whole, leaving no unfunded pension benefit obligation.

### Note 4. Bonds Payable

On January 14, 2002, Coggon Municipal Light Plant issued \$825,000 of Electric Utility Revenue Bonds for the purpose of installing a new generator. The notes bear interest from 4.0% to 6.0% and are payable in fixed principal payments from \$20,000 to \$50,000 plus interest. Payments are due semi-annually beginning March 1, 2003, with final maturity on March 1, 2022. At June 30, 2005, the balance due on the notes was \$720,000.

Future scheduled maturities are as follows for the years ended:

June 30, 2006	\$ 45,000
June 30, 2007	50,000
June 30, 2008	50,000
June 30, 2009	50,000
June 30, 2010	55,000
Thereafter	<u>470,000</u>
	<u>\$ 720,000</u>

COGGON MUNICIPAL LIGHT PLANT  
Detail of Expenses – Modified Cash Basis  
Year Ended June 30, 2005

Plant expense:

Salaries and wages	\$ 47,108
Payroll taxes	3,596
IPERS	2,712
Employee benefits	12,117
Supplies	2,563
Fuel	10,539
Insurance	10,006
Depreciation	35,836
Miscellaneous	11,191
	<u>\$ 135,668</u>

Distribution expense:

Salaries and wages	\$ 1,972
Payroll taxes	151
Maintenance materials and supplies	880
Truck gas, oil and repairs	7,465
Truck insurance	2,972
Depreciation	27,042
Miscellaneous	7,114
	<u>\$ 47,596</u>

Administrative expense:

Salaries and wages	\$ 26,167
Payroll taxes	1,994
IPERS	1,508
Employee benefits	11,183
Trustee fees	532
Professional fees	2,744
Office supplies, printing and postage	1,153
Use tax	84
Interest expense	39,175
Depreciation	530
Miscellaneous	6,202
	<u>\$ 91,272</u>